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GENERAL

1. USSR held unlikely to urge troop withdrawals from Germany--
US Ambassador Smith in Moscow does not consider it likely that the USSR will in the near future press a proposal for the withdrawal of all occupation troops from Germany. Smith points out that Soviet Communist propaganda in Germany has played the withdrawal theme for almost a year without greatly increasing the popularity of its cause, and that probably little would be gained now by the USSR through a formal presentation of such a proposal to the other occupation powers. Smith believes that the Kremlin is apprehensive that a withdrawal proposal would have an adverse effect on the Satellite states and on the Communist cause in France and Italy.

(CIA Comment: CIA concurs with Ambassador Smith's estimate that the USSR has no real intention of withdrawing from Germany at this time but believes that the Kremlin may seek to gain propaganda advantages, particularly in Germany, by raising this issue at a propitious time.)

EUROPE

2. UNITED KINGDOM: Cabinet Ministers' view of Soviet aim--
US Embassy London reports the belief of some British Cabinet Ministers that the USSR may actually desire to induce western Europe to embark on large-scale rearmament in the hope that the diversion of manpower and materials would defeat the European recovery program. The Embassy understands that this consideration was taken into account when the Cabinet decided to re-arm only on a modest scale.

FAR EAST

3. INDONESIA: Dutch Embassy in US favors more moderate policy--



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pressing the Netherlands Government to accept the US plan as a basis for resumption of Indonesian negotiations. The Embassy reportedly has urged such acceptance with "reservations no greater than those stipulated by the Republic. The Department was also informed that acting Governor General van Mock resigned because he was forbidden by the Netherlands Government to resume police action.

4. **CHINA: Changchun defenders defect to Communists**--The 118 Military Attache in Hankow reports that the Nationalist garrison in Changchun (which totalled over 40,000 troops and included the 60th Army from Yunnan) has defected to the Communists. The MA considers that this defection tends to confirm the prediction of Li Chi-shen (leader of the Hong Kong dissidents) that all Yunnanese troops would defect and support the Communists. In confirming the fall of Chinghsien, the MA indicates that two Government divisions defected without fighting.

(CIA Comment: These Nationalist defections bring the total number of Government losses in the current Communist campaign by desertion or capture to over 250,000. CIA considers this report to be further proof of the shattered morale of the Nationalist field forces and believes that defections will increase throughout other areas.)

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